

**TAMIL NADU RURAL TRANSFORMATION PROJECT**  
**Business Plan for Pottery Unit**  
**Category of Loan: NANO (Upto INR 5 Lakhs)**

**Introduction**

- ❖ *Ms. AAA is a resident of BB Village in Manamadurai Taluk. She has been running a pottery unit for the past 10 years.*
- ❖ *Her spouse is also engaged in the same occupation.*
- ❖ *Ms.AAA is the animator of Jyothi Women Self Help Group. The group has availed first dose of SHG credit linkage with ABC Bank and repaid the loan in 24 monthly instalments. The second dose of credit linkage was also extended and the loan repayment is in progress*
- ❖ *To expand the pottery business activity, the applicant has submitted the proposal for term loan and working capital assistance at a cost of Rs.4.33 lakhs under TNRTP Matching Grant Programme.*

**About the Product**

- ❖ *An object of art made of a composition of clay and sand and baked with earthen color, is Pottery. An Artisans artistic touch adds value to the clay and gives life to the crafts*
- ❖ *Manamadurai, in Sivagangai district is famous for pottery. It is because of the unique quality of silt available from ponds (Kanmais) in this area*
- ❖ *The economy of the village is largely depends on pottery industry*
- ❖ *The Manamadurai Pottery Workers Co-operative Cottage Industrial Society Ltd, a cottage industrial society, extends support to more than 1200 families of artisans producing pottery crafts*
- ❖ *Manamadurai is also popular for quality Music Instrument made out of clay called "Ghatam"*
- ❖ *Red clay hereditary pots, water pots, garden pots, firewood ovens, saw dust ovens, Maga chools, Nursery pots, Dhoop stand, and Decorative red clay pottery ware are the products produced*

## **Enterprise and Entrepreneur Profile**

### **1. Profile of the Entrepreneur:**

Name	Ms.AAA
Spouse Name	
Age	33
Education	10 <sup>th</sup> Standard
Aadhaar Card No	86XXXX111111
Address	
Mobile No	<b>+91 1111111111</b>
Number of years of experience in business	10 Years
Trainings attended (no. and hours)	-NIL-
Spouse's occupation	Pottery
If Special category	No

### **2. Enterprise Profile:**

Name of the Enterprise	AAA Pottery Unit
Legal Form of Enterprise	Individual
Registration Number	-
Registration Date	-
Registered with Whom	-
GST No ( If available )	Applied
Udyam Registration number	Applied

### **3. Bank Linkage Details:**

Whether the enterprise has separate bank account	Yes
If any bank credit availed	No
Name of the bank and Branch	ABC Bank
Nature of the bank facility	NA
Limit Sanctioned	NA
Balance outstanding as on date	NA

### **4. Enterprise Nature:**

Type of Enterprise	Production/Manufacturing
Product	❖ Earthen vessels, Flowerpots, Terracotta items, Lamps

<p><i>Service to be offered:</i></p>	<ul style="list-style-type: none"> <li>❖ <i>Supply of earthen lamps during festival times (Deepavali/Navarathri/Karthigai deepam)</i></li> <li>❖ <i>Supply of earthen pots and vessels during Pongal</i></li> <li>❖ <i>Supply of earthen pots for growing plants</i></li> <li>❖ <i>Supply of earthen water jugs during summer season</i></li> </ul>
<p><i>Present Demand</i></p>	<ul style="list-style-type: none"> <li>❖ <i>The product command good demand from buyers all over the state and country</i></li> <li>❖ <i>Export orders</i></li> <li>❖ <i>Orders from Manamadurai Pottery Workers Co-operative Cottage Industrial Society Ltd</i></li> </ul>
<p><i>Current Supply</i></p>	<ul style="list-style-type: none"> <li>❖ <i>The Supply is based on placing the orders</i></li> <li>❖ <i>Buyers make advance payment prior to production/Supply</i></li> <li>❖ <i>Sales mostly on cash and carry basis</i></li> </ul>

**5. Technical Feasibility:**

<p><b>a. Location</b>  <i>Brief on Location – Whether well connected to market by road etc.,</i></p>	<ul style="list-style-type: none"> <li>❖ <i>The unit is well connected by pucca roads</i></li> <li>❖ <i>Easily approachable by raw material suppliers, buyers from various parts of the district and state</i></li> <li>❖ <i>Manamadurai Bus terminus is well connected to major cities like Madurai, Trichy, Chennai, and Rameswaram.</i></li> <li>❖ <b>Manamadurai</b> <i>Railway Station is a major stopping for all trains running between Rameshwaram - Madurai.</i></li> </ul>
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<p><b>b. Land</b> Extent of Land, sq.ft</p>	<ul style="list-style-type: none"> <li>❖ The applicant is propose to start the unit in 15 cents own land.</li> </ul>
<p><b>c. Building</b> Approved plan from local body, sq.ft, whether sufficient for the proposed activity</p>	<ul style="list-style-type: none"> <li>❖ No civil construction is involved in the proposed project. Enough space is available to store the product</li> </ul>
<p><b>d. Power</b></p>	<ul style="list-style-type: none"> <li>❖ Power supply is available.</li> </ul>
<p><b>e. Water</b></p>	<ul style="list-style-type: none"> <li>❖ Adequate water supply is available.</li> </ul>
<p><b>f. Approval</b> Pollution control Board/GST/FSSAI approvals or any other approval is required. Present Status</p>	<ul style="list-style-type: none"> <li>❖ TNPCB has categorised the activity as “Green”</li> <li>❖ Code No:3021</li> <li>❖ Consent To Operate (CTO) certificate to be obtained from Pollution control Board</li> </ul>
<p><b>g. Materials Needed</b> Quantity / Cost / Availability / Delivery Time to be discussed.</p> <ol style="list-style-type: none"> <li>a. Raw materials</li> <li>b. Equipment</li> <li>c. Technology</li> </ol>	<p><b><u>Raw-materials</u></b></p> <ul style="list-style-type: none"> <li>❖ The major raw material is “silt” (Vandal), the sedimentary deposit from ponds (Kanmai) is available in plenty and supplied in cart loads.</li> <li>❖ The other raw materials, sand and coconut shell as fuel for the Kiln are available in the local market</li> </ul> <p><b>Equipment:</b></p> <ul style="list-style-type: none"> <li>❖ The equipment’s required for the activity is given in the <b>Annexure A</b></li> </ul> <p><b>Technology:</b></p> <ul style="list-style-type: none"> <li>❖ The applicant has been in the industry for the past 10 years.</li> </ul>
<p><b>h. Cost of capital assets:</b> Details of equipment/machinery with cost of individual item required</p>	<p>As per <b>Annexure A.</b></p>
<p><b>i. Cost of working capital for one operating cycle</b></p> <ol style="list-style-type: none"> <li>a. raw-materials,</li> <li>b. Semi-finished goods,</li> <li>c. finished goods,</li> <li>d. receivables outstanding.</li> </ol> <p>Total working capital needs (The value of raw-materials, semi-finished goods, finished goods, receivables outstanding to be arrived)</p>	<p>The working capital requirement is arrived at Rs.0.83 lakh as per <b>Annexure C.</b></p>

<b>OR</b>	
25% of projected annual sales turnover if necessary	The assessment has been done as per holding levels detailed in <b>Annexure C</b> .
<b>j. Skills Requirements:</b> skilled labour available / Not available If not available: whether people can be trained? If so, training period and training facility?	<ul style="list-style-type: none"> <li>❖ The promoter is having adequate experience. Many skilled experienced workers are also available in the area The unit require four skilled persons @ one labour per one pressing machine</li> </ul>
<b>Production Process:</b>	
<b>Production Plan/cycle</b> (operating cycle may be one-day / week / month or one year as per the activity selected):	<ul style="list-style-type: none"> <li>❖ The operating cycle is assumed at 35 days for the unit as detailed in <b>Annexure C</b>.</li> <li>❖ The process of Pot making involves Sourcing of Silt - &gt; Grading - &gt; Mixing - &gt; Production &amp; Moulding - &gt;Drying - &gt;Firing - &gt;Grading - &gt; Painting - &gt;Storage - &gt; Marketing</li> </ul>

### 6. Commercial Feasibility:

<b>a. Marketing strategy</b> : Direct to customers : Bulk to Institutions : Through Retailers/ Wholesalers: Through Online:	<ul style="list-style-type: none"> <li>❖ The product command good demand from buyers all over the state.</li> <li>❖ Export orders</li> <li>❖ Orders from Manamadurai Pottery Workers Co-operative Cottage Industrial Society Ltd</li> </ul>
<b>b. Pricing &amp; Discounts</b> :	<ul style="list-style-type: none"> <li>❖ Best price to regular buyers, Bulk purchases</li> </ul>
<b>c. Market promotion strategies:</b>	<ul style="list-style-type: none"> <li>❖ Timely Delivery</li> <li>❖ Quality products</li> <li>❖ Durability</li> <li>❖ Replacement for damage/defective items</li> <li>❖ Attractive painting</li> <li>❖ Packing</li> <li>❖ Alluring models and designs</li> <li>❖ Online marketing Amazon/Flipkart</li> </ul>
<b>d. Physical and digital connectivity:</b>	Accept and make payments through Digital mode -POS, QR Code,

<b>e. Risks and risk mitigation planned:</b>	<i>Risk assessment details as per Annexure D.</i>
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**7.Environment Assessment:**

Category of the enterprise proposed: White/Green / Orange / Red .To be entered as per the requirement – **Green Category Type of Code 3021**

<b>Environment Issue identified</b>	<b>Environment Guidelines or mitigation measures Integrated (Please tick)</b>	<b>Greening Measures identified</b>	<b>Support needed</b>	
		<i>(for green, orange and red categories)</i>	<i>Implement the mitigation measures</i>	<i>Implement the greening measures</i>
<b>Exploitation of local resources (water and energy)</b>	<ul style="list-style-type: none"> <li>•Water</li> <li>•Wood</li> <li>•Electricity</li> </ul>	<i>To ensure adequate measures for Proper disposal of Smoke and waste water</i>	NA	NA
<b>Waste generation and disposal</b>	<ul style="list-style-type: none"> <li>•Dust/air pollutants</li> <li>•Disposal of waste water</li> </ul>	<i>To ensure adequate measures for Proper disposal of Smoke and waste water</i>	NA	NA
<b>Worker and Community safety</b>	<ul style="list-style-type: none"> <li>•Safety measures / gadgets</li> </ul>	<i>Fire extinguishers to be fixed in sensitive places in the unit. Full fire protection dresses and gloves for workers</i>	NA	NA

*Whether the activity proposed is in the negative list: No.*

## 8. Financial Viability

### Cost of the project and Means of the project:

a. Cost of the Project:	(Rs)
i. Fixed capital-Cost of all the equipment's /machinery /construction(excluding land cost)	Rs.350000/-
ii. Working capital	Rs.83000/-
iii. Pre-operative expenses	Nil
Total cost of the project (i + ii + iii)	Rs,433000/-
b. Means of the project:	
Loan from financial Institution / Bank (95% or 90%):	Rs.390000/-
Margin money -Borrower's contribution (5% or 10%):	Rs.43000/-
Total means of the project ( i + ii )	Rs.433000/-
c. Matching grant from the project**	Rs.130000/-
Whether the entrepreneur has the sufficient means to bring in the margin money and has enough buffer to manage any cost escalations	Yes

\*\*Matching Grant is @30% of the total cost of the project (excluding pre-operative expenses, land cost, lease). As Matching Grant will be kept in a "Subsidy Reserve Fund" account of the bank as a back-ended grant, it is not shown under the Means of the project. The matching grant to be adjusted as below:

	(Rs. In lakhs)
Loan initially disbursed by the Bank	- Rs.3.90
Less 30% matching grant	- Rs.1.30

Balance principal amount to be repaid by Borrower – Rs.2.60

Upon completion of minimum period of 18 months and upon repayment of principal amount of Rs.2.60 lakhs and the interest portion, the matching grant of Rs.1.30 lakhs can be adjusted to the loan account of the borrower and the loan account can be closed.

### **Income & Expenses of the Enterprise**

<b>Particulars</b>	<b>Amount in INR</b>
a. Sales	964850
b. Cost of Production	677000
i. Cost of Raw Material	185000
ii. Direct Wages	480000
iii. Cost of utilities( Water, Power , Fuel, Repair)	12000
c. Gross Profit(a-b)	287850
d. Admin & Selling Exp	0
e. Operating Profit before Depreciation, Interest, Tax & Amortization (c-d)	287850
f. Depreciation	35000
g. Interest on Term Loan	24668
h. Taxes	0
i. Profit After Tax {e-(f+g+h)}	228182
J. Cash Surplus (. Profit After Tax+ Depreciation)-Withdrawal	263182
k. Income from household members by way wages	15000
l. Total Income (j+k)	278182
m. Household Expenses	20000
n. Net Disposable income(l-m)	258182
o. 50% of Net Disposable income	129091
Repayment (Principal Rs.78000, Interest Rs.24668)	102668

*50% of net disposable income covers the loan instalment and interest.*

**Recommendation:**

*The proposal is viable and complies with the guidelines of Matching Grant Programme. We may recommend to the concerned Bank.*



### Profitability Projections

<b>Particulars</b>	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr3</b>	<b>Yr 4</b>	<b>Yr 5</b>
Sale of earthen Bowls (Aappa Chatti) @ 8000 Bowls @ Rs.60/ Bowl	480000	504000	529200	555660	583443
Sale of earthen Bowls (Dosa Chatti) @8000 Bowls @ Rs.50/ Bowl	400000	420000	441000	463050	486203
Sale of Terrcotta Horse or Elephant @ 300 pieces to society @ Rs.90	27000	28350	29768	31256	32819
Sale of Terrcotta Horse or Elephant @ 400 pieces in open market @ Rs.130	52000	54600	57330	60197	63206
Sale of Lamps ( Agal Vilakku) @ 9000 pieces @ Rs.650/1000	5850	6143	6450	6772	7111
<b>Total Sales (A)</b>	<b>964850</b>	<b>1013093</b>	<b>1063747</b>	<b>1116934</b>	<b>1172781</b>
<b>Raw Materials</b>					
Silt-@3 Cart loads per Kiln@ Rs.900/load Total No. of Kilns per annum= 30	81000	85050	89303	93768	98456
Sand- @3 sacks Kiln @ Rs.75 per sack Total No. of Kilns per annum= 30	6750	7088	7442	7814	8205
Coconut Shell @ one load per Kiln @ Rs.2600 per load. Total No. of Kilns per annum= 30	78000	81900	85995	90295	94809
Fibre Blankets @ 7 @ Rs.2750 per blanket	19250	20213	21223	22284	23398
Wages @ Rs.500 per day for 4 labours for 240 days	480000	504000	529200	555660	583443
Electricity Bill	12000	12600	13230	13892	14856
<b>Cost of Production(B)</b>	<b>677000</b>	<b>710850</b>	<b>746393</b>	<b>783712</b>	<b>822898</b>
<b>Gross Profit(A-B)</b>	<b>287850</b>	<b>302243</b>	<b>317355</b>	<b>333222</b>	<b>349883</b>
Depreciation @10% on 3.50 Lakhs	35000	35000	35000	35000	35000
Interest	24668	16088	7508	596	0
Tax on profit	0	0	0	0	0
Sub Total	59668	51088	42508	35596	35000
Cost of sales	736668	761938	788901	819308	857898
Net Profit after tax	228182	251155	274847	297626	314883
Cash Surplus	263182	286155	309847	332626	349883

**Annexure – A**  
**Cost of Capital Assets**

SL.NO	Description of the Item	Size/No	Unit cost (Rs)	Price (Rs)
1	Cost construction of Firing Shed	1000 Sq ft	100	100000
2	Clay Pressing Machine	1	50000	50000
3	Tie- Mold	4	50000	200000
		Total		350000

**Annexure B**  
**Basis & Presumptions**

Cost of One cart load of Silt (Rs)	900
No. of cart load of silt required to build one Kiln	3
No. of Kilns per Annum @ 2 Kilns per Month	24
No. of extra Kilns per Annum( during Festival times)	6
No. of earthen bowls prepared per Kiln ( Paniyaram/Aappa Chatti)	600
Ratio of Silt to Sand	10:1
Cost of One Sack of Sand (Rs)	75
No. of sacks of sand required per Kiln	3
No. of days required for drying the Silt	1
No. of days required for Wetting, Mixing, Shaping and Designing	2
No. of days required for firing	9
No. of loads of coconut shell ( Firing Material) required per Kiln	1
Cost of one load of Coconut Shell ( Firing Material) ( Rs)	2600
No. of Labour required	4
No. of earthen lamps produced per Kiln	9000
Price of the lamp per 1000 (Rs)	650
Cost of One Aappam Bowl (Rs)	60
Cost of One Dosa Bowl (Rs)	50
Cost of One Terrcotta Elephant/Horse ( Market Price)( Rs)	130
Cost of One Terrcotta Elephant/Horse ( Society Price)( Rs)	90
No. of extra Kilns per Annum(during Festival Times)	3
No. of Terrcotta Elephant/Horse produced per day	4 to 5 per person
No. of Pressing Machines required	4
No. of Labour per Machine	1
Electricity Bill per month(Rs)	1000

**Annexure C**  
**Assessment of Working Capital**

<b>S.No.</b>	<b>Current Asset</b>	<b>Number of days holding</b>	<b>Quantity required</b>	<b>Rate (Rs)</b>	<b>Value (Rs )</b>
1	<b>Raw Material</b>				
	Silt	6 days ( For 2 Kiln)	6 cart loads	Rs.900/Cart load	5400
	Sand		6 sacks	Rs.75/Sack	450
2..	<b>Semi-Finished Goods</b>	18 days (For 2 Kiln)	$(666000/300)*18$		39960
	Coconut Shell		2 Load	Rs.2600/load	5200
	Fibre Blanket		1	Rs.2750	2750
3	<b>Finished goods</b>	6 days ( For 2 Kiln)	$(666000/300)*6$		13320
4.	Debtors	5 days	$(964850/300)*5$		16080
	<b>Total</b>	35 days			83160
<b>Working Capital for One operating cycle of 35 days</b>					83160
<b>Rounded off to</b>					83000

### Annexure D

**Loan Amount – Rs.390000**

**Interest Rate-11%**

**Repayment period – 60 months**

Date	Particulars	Debit	Credit	Balance	Interest on Net Loan	Interest	Principal
01.09.2021	To loan	390000		390000			
1	By repayment		6500	383500	2383		
2			6500	377000	2324		
3			6500	370500	2264		
4			6500	364000	2205		
5			6500	357500	2145		
6			6500	351000	2085		
7			6500	344500	2026		
8			6500	338000	1966		
9			6500	331500	1907		
10			6500	325000	1847		
11			6500	318500	1788		
12			6500	312000	1728	24668	78000
13			6500	305500	1668		
14			6500	299000	1609		
15			6500	292500	1549		
16			6500	286000	1490		
17			6500	279500	1430		
18			6500	273000	1370		
19			6500	266500	1311		
20			6500	260000	1251		
21			6500	253500	1192		
22			6500	247000	1132		

23			6500	240500	1073		
24			6500	234000	1013	16088	78000
25			6500	227500	953		
26			6500	221000	894		
27			6500	214500	834		
28			6500	208000	775		
29			6500	201500	715		
30			6500	195000	655		
31			6500	188500	596		
32			6500	182000	536		
33			6500	175500	477		
34			6500	169000	417		
35			6500	162500	358		
36			6500	156000	298	7508	78000
37			6500	149500	238		
38			6500	143000	179		
39			6500	136500	119		
40			6500	130000	60	596	26000
	Grant @30%		130000	0			
		390000	390000			48860	260000

## Annexure – E

### Risk assessment for the entrepreneur / enterprise

<b>CREDIT RISK:</b>	
a. Whether the borrower is a permanent resident of the area as per KYC Document	Yes
b. No Negative references about the entrepreneur during oral enquiry	Yes
c. In case of SHG Members, the applicant should have completed one-cycle of loan with full repayment	Yes
d. No Previous record of overdue in the loans of the entrepreneur	Yes
<b>OPERATIONAL RISK</b>	
e. No major risks for systems failure (e.g. IT servers kept in risk areas like flood prone or earthquake prone areas) in the proposed business	Yes
f. No major risks for human failure (e.g. chances for monitoring lapse due to remote or decentralized operations) resulting in frauds	Yes
<b>BUSINESS RISK:</b>	
g. The entrepreneur has the adequate experience in the Line of activity selected	Yes
h. The selected activity has enough scope or market	Yes
i. The entrepreneur has a plan to manage the Competition in the industry /sector	Yes
j. The business will be commenced on time as per the plan (Is there any risk for time lapse due to construction or approval from Govt.)	Yes
<b>FINANCIAL RISK:</b>	
k. The entrepreneur can maintain the profit margin assumed	Yes
l. The payment terms of the clients (credit for 15 / 30 /60 days) are manageable to the entrepreneur	Yes
<b>ENVIRONMENT RISK</b>	
m. The selected activity is not in the Negative list	Yes

i. I have reviewed all the risk factors and find “No major risk” in the proposal.

ii. I find the following risk as a significant risk and the entrepreneur has the following plan to manage that risk. – No significant risk.

Date:

Name and Signature of OSF